

ENVIRONMENTAL ACCOUNTING AND CORPORATE SOCIAL RESPONSIBILITY

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Sustainable development is an economic growth strategy aimed to conciliate economic and social progress without endangering the natural equilibrium of the planet. The true stake of the future is the avoidance of environment degradation through developing of a responsibility sense both of citizens as well as of companies, for the purpose of reaching a stable sustainable development. Environmental accounting expresses the appearance of a new ethics that answer to the human worries for planetary development and progress. Starting from the damage caused to the environment, we ask ourselves about the destructive activity conducted by companies and making them responsible of the problem to the future generations.

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Sustainable development and corporate social responsibility

Sustainable development means that the needs of the present generation should be met without compromising the ability of future generations to meet their own needs. Sustainable development is the constant re-evaluation of the dialogue between man and nature and the connection between generations in the process of multi-dimensional evolution of human society, proving to be an essential process of this world, also being an approach superior to the environmental management traditional belief.

Protecting the environment is one of the concerns of modern societies. For example, the European Union adopted in 2002 the Sustainable Development Strategy, updated in 2006 and 2009. Within this document, one of the principles of sustainable development politics is the implication of partners from the social and business environments, principle that aims to enhance the social dialogue, corporate social responsibility and private-public partnerships to foster cooperation and common responsibilities to achieve sustainable consumption and production⁶⁰⁵. This is a result of the idea that a concern for the state of the environment cannot be adequately examined without considering corporations⁶⁰⁶.

As a result of this vision over development, the corporation slowly evolves towards logic of responsibility. The company is considered a part of the society, not just a production and profit instrument for the shareholders; therefore, entities have also a social responsibility. This responsibility takes into consideration the interests of all stakeholders, starting from the shareholders, employees, business partners, to the consumers and the community, and needs a social implication strategy that must integrate in the long and medium term communication and development strategy. Today, ethic preoccupation in companies is being underlined and it is brought into discussion the analysis of applying the moral rules of individuals to the concrete decisions made within the company. Companies should consider social responsibility a competition strategy component. Those that have minimized environmental risks are the ones more advanced in developing own policies regarding to employees, shareholders, clients,

⁶⁰⁵ European Union, Renewed EU Sustainable Development Strategy, 2006, p. 5.

⁶⁰⁶ Bullis, C., Ie F., Corporate Environmentalism, In S. K. May, G. Cheney, & J. Roper (Eds.), The debate over corporate social responsibility, Oxford University Press, New York, 2007, p. 321.

suppliers, and they managed to improve long and medium term economic performances. Research related to environment protection has shown that company social responsibility significantly increases client satisfaction and fidelity. Implementing an ecological and responsible business model considers criteria like: implementing an environmental politics that respects the entities' vision and mission; capital allocation for environmental management, implication of human resources in the process; usage of various instruments. The involvement of major corporations in matters of environment shows the concern and the interest of modern industries for environment⁶⁰⁷.

This concern is underlined by the fact that many of the modern companies included environmental problems in the Corporate Social Responsibility Charter. Whilst there is no unitary definition of social responsibility, we consider that this represents the discernment of specific issues, problems, expectations and claims upon business organizations and their leaders regarding the consequences of organizational policies and behavior on both internal and external stakeholders. The focus is upon the products or corporate actions⁶⁰⁸. Social responsibility is just a component of the corporation social politics process which includes corporate social responsiveness, that means development of individual and organizational processes for determining, implementing and evaluating the firm's capacity to anticipate, respond and manage the issues and problems arising from the diverse claims and expectations of internal and external stakeholder⁶⁰⁹.

Developing of such capacity for company need to set up a managerial system of environmental problems, and accounting plays a key role in this system.

Environment accounting – tool of environmental management systems

Environmental accounting represents a methodology for quantifying the costs and effects of environmental conservation activities. Initially integrated in social accounting, environment accounting has its origin in a multitude of legal, economic and social factors. To summarize, three factors are at the base of environment accounting: the legislative basis, costs evolution and pressure from the stakeholders. They challenged companies to review some of the practices regarding their decision-making process and the communication of environmental information. Through the introduction of environmental accounting, companies aim to improve the effectiveness of conservation efforts and implement sustainable environmental policies with quantifiable results over a long term.

Using environment accounting has a number of advantages like⁶¹⁰:

- the possibility of managing more efficiently the flows of energy and materials, including the quantity of wastes, their type and their destination;
- the possibility of better estimating, identifying and managing of general costs and environmental costs;
- obtaining more precise information for starting and sustaining programs for improving environment performance;
- obtaining the necessary information for measuring and reporting the environment performance⁶¹¹, for the purpose of upgrading the image of the organization in relationship with all those interested in its activity (clients, employees, government, investors, stakeholders).

⁶⁰⁷ Briciu S., Sistem informațional privind contabilitatea de gestiune și calculația costurilor în industrie, Publishing House Argus, Bucharest, 2000, p. 103.

⁶⁰⁸ Epstein E. M., The corporate social policy process: Beyond business ethics, corporate responsibility and corporate social responsiveness, California Management Review, 29: 3, spring 1987, p. 107.

⁶⁰⁹ Idem.

⁶¹⁰ Toms, J.S., Environmental Management, Environmental Accounting and Financial Performance, Publication: London CIMA Publishing, 2000, p. 157-168

⁶¹¹ Idem.

Environmental information publication is a key company accountability process, and environment accounting helps entities substantially improve their trustworthiness among the people and enjoy a fair evaluation⁶¹².

Environment accounting is the attempt to use control and tracking analogue instruments (information identification, measurement, accumulation, analysis, interpretation and communication)⁶¹³ in favor of those used in the economic management of a company or a public authority.

Environment accounting is now entirely new but it coexists with previous visions. It evolved in the last two decades and had as motivation the development of an accounting system that would supply a basis for efficient activity planning regarding environment and financial protection. The setting up of economic and environment accounts offers synthetic information to key decision makers regarding environmental resources and it is necessary for determining environmental costs and their consequences over production, income and economy.⁶¹⁴

The main objective of environment accounting is the reform of managerial accounting in order to allow entities to improve their profits by reducing costs. Practically, environment accounting is an instrument with which entities can modify their existing accounting systems so they can offer managers information about environmental costs.

From this point of view, in elaborating entity development politics and strategies, managers must take into consideration environmental costs. These are the expenses linked to the prevention of environment pollution and degradation, evaluating pollution and environment protection and fixing these problems⁶¹⁵. Taking into account the variety of the effects of an entity over environment, it's difficult to quantify the costs of environment degradation. The difficulties are generated by the lack of knowledge regarding nature and the scale of the destructions, but also by the lack of a market price. The main problems identified in quantifying environment costs are: the singularity of environmental investments and polluters, the economic horizon, the absence of a market, the absence of relations between cost and efficiency.

The analysis of environment accounting practices concludes that this branch of accounting has succeeded, in theory, to accomplish its initial objectives. It was about management help tools like accounting environmental aspects and communication of environmental information for what financial accounting stands for.⁶¹⁶

The requirement to establish the financial impact of environment performances was recently introduced in environment performance evaluation and reporting. As a result of such problems, not only environmental information presented in financial statements is subjected to audits, but also information presented in environmental or sustainable development reports⁶¹⁷.

A short analysis of the Romanian companies involvement in environmental matters

Starting from the general objective of the European Union Sustainable Development Strategy, the Sustainable Development National Strategy of Romania establishes that eco-efficient management of resources consumption and their maximum exploitation to be realized by

⁶¹² Bețianu L., Approaches concerning environment-related information included in the annual statements, *Analele Universității din Oradea*, 2009, vol. 3, p. 768.

⁶¹³ Environment and the OECD Guidelines for Multinational Enterprises: Corporate Tools and Approaches Publication: Paris OECD, 2005, p. 34-38.

⁶¹⁴ Tabără N., Horomnea E., Mircea M. C., *Contabilitate internațională*, Editura Tipo Moldova, Iași, 2009, p.542-543.

⁶¹⁵ Briciu S., *Contabilitatea managerială, aspecte teoretice și practice*, Economic Publishing House, Bucharest, 2006, p. 101 – 106.

⁶¹⁶ Lafontaine, J-P., Normalisation et mondialisation : le cas de la prise en compte de l'environnement naturel par les entreprises, XXVème Congrès de l'AFC, Orléans, 2004, p. 1-21.

⁶¹⁷ Bețianu L., Georgescu I., Approaches Of Environmental Information Audit In Annual Reports, *Annales Universitatis Apulensis series Oeconomica*, 2008, 10(1), p. 113.

promoting a production and consumption model which would allow a long term sustainable economical growth and a successive rapprochement to the medium level of performance of European Union's countries.

European integration led to a greater attention given to environment by the economic agents. Romania begun to show some interest in the field of eco-efficiency, as a way to ensure sustainable development, but it lags far behind other European countries. Undoubtedly, the localization of important multinational companies (e.g. Renault, Siemens, Alcatel, and Continental) in Romania contributed to raising corporate awareness in terms of environmental impact and will foster a positive evolution in the field⁶¹⁸.

Sustainable Development National Strategy of Romania is a national document which complies with the sustainable development strategy of the European Union. Its main objective is the continuous upgrade of quality of life, creating durable communities able to capitalize the economy's ecological and social potential, to manage and to use resources efficiently mainly to ensure prosperity, environment protection and social cohesion.

As for the Romanian companies involvement into environmental problems, we will realize an analysis on the base of the expenditure made by these for environment protection.

In Romania, the economic agents' expenses related to environment protection are distinctly underlined for the unspecialized economic agents, the ones that carry out an environmental activity as a secondary or auxiliary activity, and for the specialized economic agents, the ones that posses a department which has environment protection as a main activity.

Table no. 1
Types of environmental expenses by types of producers

- thousand LEI current prices -

	2006		2007		2008	
	Nominal values	%	Nominal values	%	Nominal values	%
Specialized producers (total) from which:	5297304	68	7039354	72	8328234	65
- investments	793154	10	1048084	11	1716516	13
- internal current expenses	4101018	53	5487074	56	5637738	44
- external current expenses	403132	5	504196	5	973980	8
Unspecialized producers (total) from which:	2460918	32	2743422	28	4516525	35
- investments	1125384	15	1329980	14	1550499	12
- internal current expenses	961416	12	913847	9	2153762	17
- external current expenses	374118	5	499595	5	812264	6
Total environment protection expenses	7758222	100	9782776	100	12844759	100

Source: www.insse.ro

⁶¹⁸ Bărglăzan D., Drăghici A., Vartolomei M., Eco-Efficiency – The New Dimension Of Economic Efficiency, în journal Recent, Vol. 10, no. 3(27), November, 2009, p. 180.

Considering this data it can be ascertained that in the producers environment protection expenses total, a big part are the expenses done by the specialized producers (65% in 2008), and the unspecialized producers expenses are only 35% in 2008. In the analyzed periods, the expenses evolved contradictory, but in time they have a constant growth. In 2007 in regard with 2006, the environment protection expenses done by the specialized producers grew by 1.742.050 lei, absolute value and 33% relative value, and in 2008 in regard with 2007 they grew with 1.288.880 Lei absolute value, and 18% relative value.

By analyzing the other component taken into consideration, unspecialized producers environment protection expenses, it is observed that these registered a significant growth in the period 2007-2008. So, in 2007 in regard to 2006 the expenses grew with 282.504 Lei, absolute value, and in 2008 in regard to 2007, with 1.773.103, absolute value, or 65% in relative figures.

The explanation of this evolution is given by Romanian adhesion to the European Union and the necessity of economic agents to abide by the environment requirements imposed by the communitarian aquis.

Table no. 2

Environment protection expenses, domains and types of producers

- thousand LEI current prices -

Environment domain	2006	2007	2008
Unspecialized producers – total, of which	2460918	2743422	4516525
Air Protection	962660	803990	1242606
Water Protection	514629	642085	788120
Waste and used water elimination	411186	479853	1072457
Soil and groundwater protection	237729	179375	619360
Noise and vibration reduction	32338	19093	8900
Natural resources protection and bio-diversity conservation	119123	117202	141974
Other environment domains	183253	501824	643107
Specialized producers – total, of which	5297304	7039354	8328234
Air Protection	21762	44614	55984
Water Protection	1146586	1002417	1352751
Waste and used water elimination	4024884	5843427	6778036
Soil and groundwater protection	30304	27468	65817
Noise and vibration reduction	5912	19728	3165
Natural resources protection and bio-diversity conservation	33189	39384	21900
Other environment domains	34667	62316	50582

Source: www.insse.ro

Analyzing the environment protection expenses of domains and types of producers, we observe that in the three years taken into consideration, the specialized producers invested the largest amount in waste and used water elimination, and the smallest amount, in noise reduction.

The most sensitive environmental domains, air protection and water protection, registered an ascendant trend. Thereby, in 2008 in regard to 2007, expenses for air protection done by the unspecialized producers have risen by 438.616 lei, absolute value. Meanwhile, air protection expenses done by specialized producers have risen by just 11.370 lei, absolute value.

The expenses for water protection rose progressively, reaching 514.629 lei in 2006 for the unspecialized producers and 788.120 lei in 2008. The specialized producers spent 1.146.586 lei in 2006, and 1.352.751 lei in 2008.

Conclusions

In the face of environment problems, companies must become morally responsible, but the way in which each company understands this responsibility is different. The true problem rises in the convergence of social responsibility with economic interest followed by any company with an economic life. In this point environmental accounting intervenes, not as a supplementary cost source, but as a mean of better administration of companies' resources in the perspective of an economic sustainable development.

Environment accounting is an indispensable tool for the application of the "sustainable development" concept and the insurance of environment protection. It is constituted under the form of a system that permits environmental information organization, through physical or monetary indicators.

Companies relate more often to the concept of sustainable development, gently evolving towards responsibility logic. They must take into account more and more the economic and social restrictions of the markets in which they operate. Practically, for obtaining decision assistance tools, each company needs information regarding the state of the environment, quantifying environment costs that affect its activity. Environment accounting must supply this kind of information and to propose a way of evaluation of environment deterioration.

A successful assimilation of the notion sustainable development will take shape in options that modify the companies' business model, in the spirit of a long term vision and a sustainable mission.

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